INVESTMENT TURNOVER CLOSE TO 18.4 BN €

Despite the marked year-on-year fall of about one quarter in aggregate turnover, investment markets have so far exhibited great buoyancy. Around 80 % of the decline was due to the portfolio segment, where investment, at 4.75 bn €, was only half the prior-year total. In the same period last year, the Corio and Kaufhof transactions alone contributed some 3.4 bn €. Single deals, on the other hand, have again posted an outstanding result, with 13.63 bn €, failing by only 8 % to match last year’s record. Given a more abundant supply of assets, this year’s total would certainly have been higher, because investor demand has actually been tending upwards. Underlining this is the fact that the number of registered deals, well over 800, was more or less on a par with last year’s level. The insufficient scale of supply was evident particularly in the large-unit core segment: up to now there have been only 10 sales in the triple-digit million euro range, while the figure in the first half of 2015 was twice that. The strength of competition for the available assets is highlighted especially by the renewed rise in prices apparent in the second quarter.

SHORTAGE ALSO IMPACTS ON BIG SIX CITIES

The major German cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich) also suffered an appreciable fall in turnover (-27 %). Together, they generated 9.18 bn €, around 50 % of the nationwide transaction volume. The decline was due above all to the shortage of core assets. With the exception of Hamburg, where investment expanded by 16 % to just under 2.13 bn €, all the cities posted lower totals year-on-year. Hamburg’s result gave it first place among the major centres, but it finished only just ahead of Munich, with 2.09 bn € (-28 %), and Berlin, with 2.06 bn € (-34 %). Close behind this leading trio was Frankfurt, which attracted investment of over 1.81 bn € (-40 %). The two Rhineland metropolises also fitted into the overall picture: Düsseldorf with 665 m € (-27 %) and Cologne with 430 m € (-50 %).

OFFICES EASILY HEAD ASSET-CLASS RANKING

Offices secured the largest slice of investment, with over 41 % (7.57 bn €). Retail properties accounted for about 22 %, thus defending their opening-quarter second place. With nearly 2.16 bn € (12 %), hotels posted a new record, exceeding the previous high of 2014 by 31 %. Logistics deals generated just over 1.87 bn € (share: 10 %), which represented a considerable year-on-year increase of 18 % but just failed to match the record set in 2014. Care-oriented facilities (especially nursing homes) have accounted for over 4 % of the result.
Investments according to buyers’ groups H1 2016
in %

- Special-purpose funds: 18.8%
- Listed real estate companies/REITs: 13.3
- Investment/asset managers: 12.7
- Equity/real estate funds: 9.4
- Property developers: 8.5
- Pension funds: 7.6
- Private investors: 6.3
- Others: 23.4

Investments according to origin of capital H1 2016
in %

- Germany: 65.4%
- Europe: 21.4%
- North America: 9.4%
- Asia: 8.5%
- Middle East: 9.4%
- Others: 18.8%

Development of net prime yields

- Office*: 8.0%
- Logistics*: 7.0%
- Specialist retail centres: 6.0%
- Retail highstreet*: 5.0%
- Shopping centres: 4.0%
- Specialised discount stores: 3.0%

THREE BUYER GROUPINGS WITH DOUBLE-DIGIT SHARES

In the first half, three investor categories generated double-digit percentage shares of the total volume. First place was taken by special-purpose funds with close to 19%. Then, each with around 13%, came listed real estate companies/REITs and investment managers. Other sizeable contributions were made by equity/real estate funds (9%), property developers (8.5%), and pension funds (just under 8%).

PROPORTION OF FOREIGN BUYERS LOWER THAN LAST YEAR

Almost two-thirds of aggregate turnover (65%) was generated by German investors. This weighty result underlines their great confidence in their home market. Although the proportion produced by foreign investors rose slightly compared with the first quarter, to 35%, it was still down on last year’s figure. This reflects the relatively modest performance of the portfolio segment, where investors from abroad are traditionally strongly represented. In the field of single deals, foreign market players accounted for nearly 27%; in the package sales segment, on the other hand, their share was close to 58%.

YIELD COMPRESSION CONTINUES UNDIMINISHED

Interest on the part of investors is unabated and in fact tending to grow, thus producing a demand overhang which in the second quarter led to a further fall in prime yields. This development was especially dynamic in Berlin, where the net initial yield for office buildings eased to 3.70%, which is only 10 basis points higher than in Munich (3.60%). In third place comes Hamburg (3.75%). It is followed by Frankfurt, where the prime yield has also slipped below the 4% mark, now standing at 3.95%. Not that much higher are the prime yields in Düsseldorf (4.10%) and Cologne (4.30%). Yields for retail/office properties in the best shopping streets have also declined, to an average of 3.62%. In the logistics segment, where last year there were appreciable falls, yields have stabilised for the time being and now stand at an average of 5.27%.

OUTLOOK

The second half definitely also looks set to feature very lively investment markets, with the performance for the year as a whole likely to be exceptional by long-term standards. In particular, the portfolio segment will gain substantially in momentum, with a number of large package transactions already the subject of concrete negotiations or about to be marketed. In the field of single deals, on the other hand, the shortage of supply – particularly in the large-unit core segment – will probably continue and thus boost competition among investors. In view of this, prime yields in the most favoured cities will in all probability fall even further. At the moment, there are many reasons for considering an investment volume of 45 bn € to be realistic – a level that in the past has been reached only three times before.